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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

Internal Audit Section

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March 5, 2009

Parimal Mehta, Accounting Supervisor
City Municipal Courts
1430 Olive Street
St. Louis, MO 63103

RE: Community Development Block Grant (Project #2009-CDA31)

Dear Mr. Mehta:

Enclosed is a report of our fiscal monitoring review of the City Municipal Courts, Community Development Block Grant (CDBG), for the period January 1, 2008 through August 31, 2008. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of the City Municipal Courts. The fieldwork was completed on September 19, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4273.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA
Jill Claybour, Acting Executive Director, CDA



CITY OF ST. LOUIS

COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)

***CITY MUNICIPAL COURTS
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CONTRACT #08-10-64
CFDA #14.218***

***FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH AUGUST 31, 2008***

PROJECT #2009-CDA31

DATE ISSUED: MARCH 5, 2009

***Prepared by:
The Internal Audit Section***



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CITY MUNICIPAL COURTS
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH AUGUST 31, 2008**

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INTRODUCTION

Background

Contract Name: Municipal City Courts

Contract Number: 08-10-64

CFDA Number: 14.218

Contract Period: January 1, 2008 through August 31, 2008

Contract Amount: \$24,000

These contracts provided Community Development Block Grant (CDBG) funds to the City Municipal Courts (Agency) for support in the pursuit of legal remedies to problem properties throughout the City of St. Louis.

Purpose

The purpose of this review was to determine the Agency's compliance with federal, state and local CDBG requirements for the period January 1, 2008 through August 31, 2008 and make recommendations for improvements.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by Community Development Administration (CDA), evidence tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Our fieldwork was completed on September 18, 2008.

Exit Conference

We conducted an exit conference at the Agency on March 3, 2009. The Agency was represented at the exit conference by Catherine Ruggeri-Rea and Parimal Mehta. The Internal Audit Section was represented by Christopher Whitmore and Jeremy Holtzman.

Management's Responses

Management responses to the observations and recommendations were received on March 4, 2009, and have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2008-CDA46 issued on August 8, 2008, contained one observation:

- Monthly financial reports were not submitted in a timely manner **(Repeated, see Current Observation #1)**

A-133 Status

As a City department, the Agency was covered under the City's A-133 audit for the fiscal year end June 30, 2008. There did not appear to be any findings in the report related to this program.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements.

1. Opportunity to submit monthly financial reports in a timely manner (Repeated)
2. Opportunity for management to approve time reports

**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND
MANAGEMENT'S RESPONSES**

**1. Opportunity to Submit Monthly Financial Reports in a Timely Manner
(Repeated)**

Page 3 of the contract between the Agency and CDA states, "...the Operating Agency shall be required to submit monthly financial statements as specified in the Operating Agency Fiscal Procedures Manual, no later than the 10th calendar day of each month to the Comptroller's Office- Federal Grants Section...."

The Agency submitted 6 out of 7 monthly financial statements for calendar year 2008 late by an average of 104 days as follows:

Financial Statement Month	Due Date	Date Submitted	Days Late
January 2008	February 10, 2008	August 6, 2008	179
February 2008	March 10, 2008	August 6, 2008	150
March 2008	April 10, 2008	August 6, 2008	119
April 2008	May 10, 2008	August 6, 2008	89
May 2008	June 10, 2008	August 6, 2008	58
June 2008	July 10, 2008	August 6, 2008	27
July 2008	August 10, 2008	August 6, 2008	0
Total			622
Average			104

The Agency did not have an effective system of internal control in place to ensure compliance with CDA regulations and the reporting requirement of OMB Circular A-133 compliance requirements.

Non-compliance with the CDA regulations or OMB Circular A-133 reporting compliance requirements may cause a delay or suspension in the processing of reimbursement requests resulting in interruption in the Agency's services to its clients.

Recommendation

We recommend the Agency comply with CDA regulations and submit its monthly financial reports by the 10th day of the month following the report month for all current and future CDBG contracts.

Management's Response

I agree with the auditor's observation concerning this item. Through June, 2008 the reports were not being submitted timely because the Finance Manager was unaware of this requirement. When Parimal Mehta was made aware of this requirement, every report since July, 2008 has been submitted, as required.

**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND
MANAGEMENT'S RESPONSES**

2. Opportunity for Management to Approve Time Reports

CDA regulations require that employees' time reports be approved by their immediate supervisor. The Supervisors' approval must be evidenced by their signatures on employees' timesheets.

Ten time reports sampled for the months of February through April 2008 did not have supervisor's signature present, verifying the accuracy of the information report.

The Agency did not have an effective system of internal control in place to ensure compliance with the CDA regulations.

The Agency's failure to follow CDA regulations may encourage fraud, theft, embezzlement of federal funds, and may ultimately lead to the delay or suspension of federal funding.

Recommendation

It is recommended that the Agency ensure that the appropriate level of management approves all employee time reports.

Management's Response

I agree with the auditor's observation concerning this item. On September 25, 2008 Judge Walsh presented all Judges with a letter explaining the institution of a new time-keeping document; the instructions on its use; the definition of an acceptable signature and the possibility of a delayed paycheck, if not submitted properly.